Consult your tax advisor concerning the tax consequences of any investment strategy that you are contemplating. Neither UBS Financial Services Inc nor any of its employees provide tax or legal advice. (Getty)

Where do RMDs fit into your financial plan?

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Generally speaking, the longer your assets can remain in tax-deferred accounts, the greater their after-tax growth potential. However, this doesn't mean that deferring your taxes for as long as possible will be the key to maximizing the after-tax growth of your investment portfolio.

There's a danger in deferring your taxes too long—at some point, too much tax-deferred growth can result in higher **required minimum distributions (RMDs)** and thus a higher tax cost than if you had paid taxes at an earlier point in time. This is why we recommend that you find the right balance between deferring taxes into the future and paying them sooner than required.

RMDs are withdrawals that you have to take from your retirement accounts beginning at a certain age.

Like other retirement account withdrawals, RMDs are typically taxed as ordinary income, regardless of whether you are spending the funds or reinvesting them. RMDs can be especially problematic if you have a larger retirement account balance, because larger IRAs lead to larger distributions, which can push your income into a higher tax bracket, dampening the after-tax growth potential of your retirement accounts.

These three IRA distribution strategies listed below can help you improve the after-tax growth potential of your retirement account assets. Together, these strategies can help you reduce the tax cost of funding your retirement, help you keep your retirement savings from being depleted during your lifetime, and help you make a bigger impact on the people and causes that you care about.

Make sure to discuss these strategies with your financial advisor:

1. **Accelerate IRA distributions** to "fill up" your tax bracket in lower-than-normal tax years. This can help you to increase the after-tax distributions from your retirement assets versus an "RMD only" approach.
2. **Use Roth conversions and ILITs** to boost the after-tax wealth you can leave to your heirs. Roth IRA assets can grow income tax-free and irrevocable trusts can pass free of estate taxes.
3. **Make qualified charitable distributions** to meet your philanthropic objectives and maximize the value of your charitable contributions, while simultaneously satisfying all or a portion of your RMD.

If you are unsure of where RMDs fit into your financial plan, your financial advisor can help you to view these decisions through the lens of the UBS Wealth Way, which is a blueprint to create a purpose-built investment strategy that's designed to allocate your resources to help meet your family's unique objectives.

When it comes to determining how these distributions will be taken and where the funds will be used, there are many factors you'll need to consider with your financial advisor. For instance, upcoming cash flow needs, current and future projected tax rates, and the beneficiaries who are currently designated for the account can all affect whether a particular strategy will lead to better outcomes for your particular situation.

For more details and various scenarios, see **Beyond RMDs: Strategies for IRA owners and beneficiaries**, 26 February, 2025.

Note: UBS Wealth Way is an approach incorporating Liquidity. Longevity. Legacy. strategies that UBS Financial Services Inc. and our Financial Advisors can use to assist clients in exploring and pursuing their wealth management needs and goals over different timeframes. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved. All investments involve the risk of loss, including the risk of loss of the entire investment. Timeframes may vary. Strategies are subject to individual client goals, objectives and suitability.

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